

OIL AND GAS INVESTOR CHECKLIST

A free publication by the Kentucky Department of Financial Institutions (DFI), with information from the North American Securities Administration Association.

Kentucky DFI advises investors to ask the hard questions when solicited for oil and gas investment opportunities. Before deciding, consider companies that are well-established and listed on the New York Stock Exchange. You can minimize the risk of being swindled if you resist pressures to make hurried, uninformed decisions. The following checklist can help you collect information to verify the seller is legitimate. Keep copies of your notes in your files, and verify information the seller provides.

Date: _____ Time: _____ Who initiated the discussion? ☐ Seller called you ☐ You called seller

Name of seller: _____ Seller's phone number: _____

Background information about the salesperson and his or her experience in other oil or gas ventures: _____

What commission/compensation will the salesperson receive? _____

Seller's company name: _____ Company phone number: _____

Additional contact information for seller or company: _____

Request copies of the following documents: ☐ Prospectus ☐ Offering of Memorandum ☐ Annual Report

NOTE: The promoter must furnish these documents to potential investors before they commit their funds.

The information to look for in these documents includes: names of company principals or general partners and their background/experience in the industry; company history, capitalization, assets and retained earnings; contingent liabilities from other ventures; number of wells drilled; number of producing wells; and whether the company retains its interests in the wells drilled.

Does the company have sufficient funds to cover unexpected costs? ☐ Yes ☐ No

Who will be responsible for payment of taxes? _____

Does the Internal Revenue Service support the tax treatment as claimed by the promoters? ☐ Yes ☐ No

Is the seller licensed with Kentucky DFI? ☐ Yes ☐ No

Is the investment offering registered with Kentucky DFI? ☐ Yes ☐ No

NOTE: Call DFI at (800) 223-2579 to check if the seller and product are registered/licensed in Kentucky.

Does the promoter claim the offering is exempt from Kentucky registration requirements? ☐ Yes ☐ No

List possible exemptions here, as well as the terms: _____

Is the offering registered with the state securities regulator where the promoters are located? ☐ Yes ☐ No

Will the funds raised be kept in a separate escrow account until used? ☐ Yes ☐ No

Will the funds be used for any purposes other than those specified? ☐ Yes ☐ No

How much money is to be raised? _____ What is the cost per fractional interest? _____

If the well is completed, what will the completion costs be for each investor? _____

Are there any additional commissions to be paid? ☐ Yes ☐ No

If yes, list purpose and amount: _____

Will investors be obligated to pay in more money in the future? ☐ Yes ☐ No

Is there a tax incentive available if a dry-hole is encountered and for intangible drilling costs? ☐ Yes ☐ No

Is the well to be drilled in a territory known to be productive? ☐ Yes ☐ No

Insist on seeing a copy of the operator's contract with the promoter, and find out the operator's name, address and compensation terms.

WHERE TO TURN FOR HELP

Kentucky DFI is responsible for the protection of investors. If you have questions or want to report potential fraud, call toll free at (800) 223-2579. Always contact your securities administrator **before** you invest.